



24 November 2006

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Dear Sir/Madam,

**CPI Group Ltd – 2006 AGM**

Enclosed is a copy of the Chairman's Address presented to the Annual General Meeting on Friday 24 November 2006.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Birol Akdogan', written over a light grey rectangular background.

Birol Akdogan  
Company Secretary

**CPI GROUP LTD  
ANNUAL GENERAL MEETING  
24 NOVEMBER 2006**

**CHAIRMAN'S ADDRESS**

Ladies and gentlemen, thank you for joining us at this AGM of the Company.

As our annual report details, last fiscal year was again a difficult trading year, but on the plus side, CPI completed its asset rationalisation program, and improved further the Company's liquidity. We regard this as essential in regaining sustainable profitability, as it gives the Company flexibility in optimising any opportunities that may arise.

As referred to in the Annual Report, one matter outstanding is a commercial dispute existing between the economic entity and a supplier, who lodged a claim against the economic entity in the Federal Court of Australia for \$3,967,545 plus interest and costs. In the event that the supplier is successful in their claim, the amount of the interest payable is estimated to be \$1.15 million. By way of an update, further legal submissions were recently requested by the court, which have now been lodged. A decision is hoped for prior to 31 December 2006, although it is possible that this may occur in the new calendar year.

At the AGM last year I indicated to you that your board believes that the paper merchant sector requires rationalisation for a commercial rate of profitability to return to its participants, and noted that we, for our part, had in recent years investigated possible merger combinations without success.

Over the past year further increases in costs have further squeezed margins in our sector, and indeed across most of the entire paper industry. As a result it appears some other participants are also coming to the view that rationalisation must be considered more seriously. This encourages us to the view that in the future, this aim of your board is realistic, and that in the next year or two, tangible progress is very possible. As I said last year, for its part, CPI is committed to participating in any reasonable rationalisation that, in the opinion of the board, will benefit CPI shareholders.

Directors are acutely aware that shareholders want the Company to resume dividends as soon as possible, and indeed as fellow shareholders they share that desire. However, it is directors' responsibility to ensure that cash is paid out only when the Company returns to sound, sustainable profitability. At this stage, we are not yet at that point.

I do emphasise that this is a long-term task, where no shortcuts are available. I note the understandable frustration from shareholders, but superficial measures that are emotionally attractive do not attack the core issues, and it is core solutions that the board will continue to implement.

Internally, CPI is one year into a three year plan to address various improvements that are being made in a range of areas. The board will review that plan, and its progress, with management, and where required will make changes to meet new circumstances.

Externally, as I have indicated to you, we need industry rationalisation to streamline delivery of services to our customers and to reduce costs per unit.

It is a long road to achieve those goals, but, importantly, we are advancing down that road.

I will now ask Bernard Cassell, our chief executive, to provide you with a picture of how CPI is progressing with its various products in its various markets.

Gerry van Wyngen  
Chairman